

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-030
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Alicia Lauron, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor
Auditor

AUDIT REPORT NUMBER

#08-030

31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements	6
Report Distribution	11



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Michael Bradbury, President
Board of Directors
31st DAA, Ventura County Fair
10 West Harbor Boulevard
Ventura, California 93001

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 31st District Agricultural Association (DAA), Ventura County Fair, Ventura, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 31st DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

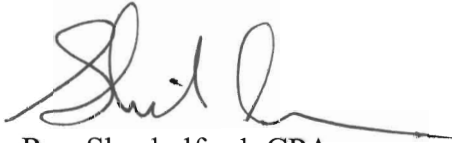
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 31st DAA, Ventura County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 31st DAA, Ventura County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-030, on the 31st DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 31st DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

December 12, 2008

**31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash in Bank	111 - 117	\$ 2,941,411	\$ 2,906,249
Accounts Receivable, Net	131	145,179	94,264
Inventories	140	32,160	32,353
Land	191	282,915	282,915
Buildings and Improvements, Net	192	6,522,647	7,262,905
Equipment, Net	193	73,081	77,341
TOTAL ASSETS		<u>9,997,392</u>	<u>10,656,027</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	212	132,756	344,435
Current Portion of Long Term Debt	212.5	90,746	86,486
Taxes Payable	221 - 226	3,241	(8,784)
Deferred Income	228	17,853	25,610
Guaranteed Deposits	241	4,219	1,731
Compensated Absences Liability	245	206,258	200,160
Long Term Debt	250	818,656	909,403
Total Liabilities		<u>1,273,730</u>	<u>1,559,041</u>
Net Resources			
Net Resources - Junior Livestock Auction	251	56,033	55,840
Net Resources - Operations	291	2,698,389	2,413,873
Net Resources - Capital Assets, Less Related Debt	291.1	5,969,240	6,627,273
Total Net Resources Available		<u>8,723,662</u>	<u>9,096,986</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 9,997,392</u>	<u>\$ 10,656,027</u>

**31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	Account Number	2007	2006
REVENUE			
State Apportionments	312	\$ 40,000	\$ 40,000
Capital Project Reimbursement Funds	319	30,247	135,622
Admissions	410	1,314,808	1,319,710
Commercial Space	415	35,400	33,850
Carnival	421	999,165	848,413
Food Concessions	422	937,886	905,742
Exhibits	430	26,575	31,188
Horse Show	440	31,687	18,717
Satellite Wagering	450	1,475,396	1,461,417
Attractions - Fairtime	460	14,300	15,600
Miscellaneous Fair	470	619,657	483,183
JLA - Revenue	476	128,552	129,904
Non-Fair Revenue	480	1,936,403	1,788,423
Prior Year Adjustment	490	13,503	336
Other Revenue	495	121,843	111,759
Total Revenue		<u>7,725,422</u>	<u>7,323,864</u>
EXPENSES			
Administration	500	1,210,175	1,206,368
Maintenance and Operations	520	1,822,687	1,724,921
Publicity	540	297,304	291,620
Attendance	560	636,000	602,986
Miscellaneous Fair	570	553,926	487,532
JLA - Expense	576	128,359	158,920
Premiums	580	167,006	165,669
Exhibits	630	285,666	290,113
Judges Supplies	640	32,266	31,656
Satellite Wagering	650	833,589	861,395
Attractions - Fairtime	660	1,270,953	1,031,917
Equipment	723	(22,459)	119,604
Prior Year Adjustments	800	334,585	21,182
Cash Over/Short from Ticket Sales	850	415	1,955
Depreciation Expense	900	535,636	526,928
Other Operating Expenditures	940	12,640	20,057
Total Expenses		<u>8,098,746</u>	<u>7,542,823</u>
RESOURCES			
Net Change - Income / (Loss)		(373,324)	(218,959)
Resources Available, January 1		9,096,986	9,315,945
Resources Available, December 31		<u>\$ 8,723,662</u>	<u>\$ 9,096,986</u>

**31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (373,324)	\$ (218,959)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(50,915)	(23,069)
(Increase) Decrease in Other Assets	193	(383)
Increase (Decrease) in Deferred Income	(7,757)	399
Increase (Decrease) in Accounts Payable	(199,654)	229,069
Increase (Decrease) in Current Portion of Long Term Debt	4,260	4,033
Increase (Decrease) in Compensated Absence Liability	6,098	22,581
Increase (Decrease) in Guaranteed Deposits	2,488	(2,947)
Total Adjustments	<u>(245,286)</u>	<u>229,683</u>
Net Cash Provided (Used) by Operating Activities	<u>(618,610)</u>	<u>10,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements, Net	740,258	382,568
(Increase) Decrease in Equipment, Net	<u>4,260</u>	<u>26,763</u>
Net Cash Provided (Used) by Investing Activities	<u>744,518</u>	<u>409,331</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>(90,747)</u>	<u>(86,486)</u>
Net Cash Provided (Used) by Financing Activities	<u>(90,747)</u>	<u>(86,486)</u>
NET INCREASE (DECREASE) IN CASH	35,161	333,569
Cash at Beginning of Year	2,906,249	2,572,680
CASH AT END OF YEAR	<u><u>\$ 2,941,411</u></u>	<u><u>\$ 2,906,249</u></u>

**31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 31st District Agricultural Association (DAA) was formed on December 13, 1937, for the purpose of sponsoring, managing, and conducting the Ventura County Fair each year in Ventura, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from

customers and remits the entire amount to the state Board of Equalization. The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 28,000	\$ 28,000
Cash in Bank - Operating	443,154	425,931
Cash in Bank - Premium	(10)	00
Cash in Bank - Payroll	7,651	12,805
Cash in Bank – Time Deposits	<u>2,406,583</u>	<u>2,383,673</u>
Cash in Bank - JLA	<u>56,033</u>	<u>55,840</u>
 Total Cash and Cash Equivalents	 <u><u>\$2,941,411</u></u>	 <u><u>\$2,906,249</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 157,775	\$ 108,578
Allowance for Doubtful Accounts	<u>(12,596)</u>	<u>(14,314)</u>
 Accounts Receivable - Net	 <u><u>\$ 145,179</u></u>	 <u><u>\$ 94,264</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$12,575,247	\$12,356,624
Less: Accumulated Depreciation	<u>(6,052,600)</u>	<u>(5,093,719)</u>
Building & Improvements - Net	<u><u>\$6,522,647</u></u>	<u><u>\$7,262,905</u></u>

	2007	2006
Equipment	\$ 589,162	\$ 556,524
Less: Accumulated Depreciation	<u>(516,082)</u>	<u>(479,183)</u>
Equipment - Net	<u>\$ 73,080</u>	<u>\$ 77,341</u>

NOTE 5 **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Construction Authority (CCA) and Division of Fairs and Expositions (F&E) to finance the Photovoltaic power-generating project on the fairgrounds. The Photovoltaic was financed with a \$300,000 interest-free loan from F&E and a \$962,240 loan from CCA. To facilitate the repayment by the Fair, CCA has determined a single monthly payment amount. The terms of the agreement are as follows:

Photovoltaic Loan:

Loan Amount	\$ 1,262,240
First Payment Date	August 1, 2003
Payment Amount	\$ 10,989
Duration of Loan	156 Months
Interest Rate	5.0% to 5.5%
Total Outstanding at 12/31/07	\$ 909,402
Current Portion at 12/31/07	\$ 90,746
Long-Term Portion at 12/31/07	\$ 818,656

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is

administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 31st DAA Board of Directors
1	Chief Executive Officer, 31st DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA

MANAGEMENT REPORT #08-030

YEAR ENDED DECEMBER 31, 2007

31ST DISTRICT AGRICULTURAL ASSOCIATION
VENTURA COUNTY FAIR
VENTURA, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Alicia Lauron, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER
#08-030

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS	3
Board Member Ticket/Passes.....	3
Promotional and Public Relations Expenditures.....	3
Accounting for Fixed Assets	4
Admission Revenue.....	5
NON-REPORTABLE CONDITIONS	6
Temporary/Seasonal Employees	6
Approval for Multi-Year Contracts.....	6
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE.....	7
CDFA EVALUATION OF RESPONSE.....	12
DISPOSITION OF AUDIT RESULTS.....	13
REPORT DISTRIBUTION	14



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Michael Bradbury, President
Board of Directors
31st DAA, Ventura County Fair
10 West Harbor Boulevard
Ventura, California 93001

In planning and performing our audit of the financial statements of the 31st District Agricultural Association (DAA), Ventura County Fair, Ventura, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Ventura County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 31st DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 31st DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 31st DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 31st DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 31st DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 31st DAA and compliance with state laws and regulations, we identified four areas with reportable conditions that are considered weaknesses in the Fair's operations: board member ticket/passes, promotional and public relations expenditures, accounting for fixed assets, and admissions revenue. We have provided five recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 31st DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

BOARD MEMBER TICKET/PASSES

The Fair issued courtesy passes, parking passes, box seats, sand dollars, as well as sweatshirts, posters and pins to the current board of directors. The maximum value of these distributions totaled approximately \$47,106. According to Division of Fairs and Expositions (F&E) policy, free passes to state-sponsored entertainment events are prohibited. The Fair should be cautioned that, if there is not a legitimate business purpose, distributions of this nature may be deemed a gift of public funds according to the State Constitution. This was a prior year finding.

Recommendation

- 1. The Fair should document the business purpose for any distribution of ticket/passes to their board members in the future. Without the business purpose documented, these distributions may be deemed a gift of public funds.*

PROMOTIONAL AND PUBLIC RELATIONS EXPENDITURES

The Fair did not fully justify and support the business purpose and necessity for discretionary food and beverage expenditures totaling \$25,183. Included in the amount is \$18,876 spent on meals served daily during fairtime in the director's dining room. Sound accounting, good business practices and the requirements of F&E internal policy over public relations and promotional expenses mandate specific and detailed information for all persons incurring such expenses, including members of the Board of Directors. All claims must include the names of all recipients of the item or benefit, purpose of the expenditure, justification for providing food or a meal, the specific topics discussed during the event, and the necessity of or the benefits expected to accrue to the Fair by entertaining.

The Fair maintained a sign-in log of the individuals that were provided a meal and provided a general overview on how the concept of establishing a director's dining room benefits the Fair. However, the Fair did not document the specific business topics that were discussed during the daily events nor document the benefits expected to accrue to the Fair as required by the Accounting Procedures Manual.

Recommendation

- 2. The Fair should be aware that purchases of food and beverages, other than business meals reimbursed in accordance with the DPA rules and regulations, will be questioned as to necessity and benefit to the State. The Fair should follow F&E internal policy by requiring that all claims for payment of promotional or public relations expenses must include the specific business topics discussed during the event, and necessity of or the benefits expected to accrue to the Fair by entertaining.*

ACCOUNTING FOR FIXED ASSETS

An audit of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual statement of operations (STOP). The following deficiencies were noted:

- a. The Fair used the incorrect number of years in service, depreciation rate and year of project completion when calculating the depreciation expense and accumulated depreciation for various buildings and improvements items. As a result, the Fair understated Account #192.1, Accumulated Depreciation, at year-end by \$269,074.
- b. The Fair improperly removed the historical cost of the fully depreciated buildings and improvements items from the general ledger, thereby understating Account #192, Building Improvements, and the related Account #192.1, Accumulated Depreciation – BI, at year-end by approximately \$248,081.
- c. The Fair has not fully complied with the asset capitalization criteria established by the Department of Finance (DOF). The asset capitalization criteria require fairs to capitalize property having a unit acquisition cost of at least \$5,000, a normal useful life of at least one year, and used to conduct State business. Any property not meeting the asset capitalization criteria should be expensed in the year of acquisition and treated as a non-monetary item. The Fair incorrectly capitalized various items not meeting the asset capitalization criteria thus overstating Account #192 and the related accumulated depreciation account by \$51,065 at year-end.
- d. The Fair did not capitalize all 2007 asset acquisitions that exceeded the asset capitalization criteria per DOF. Our office noted the livestock scale and the security system valued at \$5,745 and \$29,664, respectively, were not capitalized in 2007. As result, Account #193, Equipment, and related accumulated depreciation account at year-end were understated by \$35,408 & \$15,189, respectively.

Recommendations

3. *The Fair should make the necessary correcting journal entries that ensure the amounts reported for its fixed assets are correct. In the future, the Fair should ensure that the amounts capitalized for a project represent the full costs associated with placing the asset into service. The Fair should properly track all costs associated with a project in order to establish the full amount that should be capitalized once the project is complete. By ensuring that the correct amounts are capitalized for project costs, the Fair should be able to accurately calculate the related depreciation of the project as well.*
4. *The Fair should be certain to capitalize and depreciate assets that have a value of \$5,000 and a useful life of at least one year. All other items should be expensed in the year they were acquired and be accounted for as non-monetary items. Adjustments should be made to correct any discrepancies prior to the preparation of year-end financial reports.*

ADMISSION REVENUE

Our office noted the Fair did not correctly account for all admission revenue earned in 2007. The Fair did not perform an annual reconciliation between the admission revenue reflected as earned in the admission event summary report and the revenue reflected in their general ledger prior to closing its accounting period and preparing the year-ending financial reports. Based on our audit, our office determined a total of \$22,735 representing unpaid admission sales from an electronic ticket company were not accrued at year-end 2007. The accrual basis of accounting requires the recognition of revenues in the period earned. As a result, admission revenue was understated in the year-end financial statements by \$22,735. Accordingly, the Fair's net resources available for operations were understated by the same amount.

Recommendation

5. *The Fair should ensure they properly account for all earned revenues in the general ledger at year-end. All amounts earned as revenue that have not been collected, such as admission sales sold online, should be accrued prior to closing the accounting period and preparing the year-ending financial statements.*

NON-REPORTABLE CONDITIONS

TEMPORARY/SEASONAL EMPLOYEES

The Fair allowed 12 temporary employees to work in excess of the 119-day limitation within a calendar year. According to the F&E Accounting Procedure Manual (APM), “by law temporary employees may not work more than 119 days in a calendar year.” The F&E APM further cites Article VII Section 4(1) of the Constitution of the State of California as its basis for this policy. We noted these employees worked between 125 and 231 days in 2007.

Moreover, the Fair allowed a seasonal employee to work in excess of the 194-day limitation over twelve consecutive months. Although the Fair monitored the number of days worked by this seasonal employee, the Fair allowed this employee to work 227 days. According to Department of Personnel Administration (DPA) rules and regulations, a seasonal employee may not work more than 194-days over twelve consecutive months. Furthermore, any day which 1) the employee physically works, regardless of hours, 2) the employee is on paid absence, or 3) the employee receives pay for hours worked, would count as one day.

Recommendations

The Fair should ensure it is tracking its temporary employees and not allowing them to work in excess of the 119-day limitation determined by F&E on the basis established under the California Constitution.

The Fair should exercise more control over the number of days worked by the seasonal employees to mitigate a seasonal employee from exceeding the 194-day limitation in the future.

APPROVAL FOR MULTI-YEAR CONTRACTS

The Fair did not always obtain or maintain evidence of the Division of Fairs and Expositions (F&E) approval for multi-year contracts or any contract in excess of \$75,000. According to the F&E Contracts Manual, Section 1.15, Contract Review and Approval, all Fairs are required to obtain approval from F&E for all contracts exceeding \$75,000 including multi-year contracts that exceed this amount in totality.

Recommendation

The Fair should obtain F&E approval for any contracts greater than \$75,000 including multi-year contracts in excess of this amount.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



VENTURA COUNTY FAIRGROUNDS

"A Country Fair with Ocean Air"

10 W. Harbor Blvd. • Ventura, CA 93001
(805) 648-3376 • Fax (805) 648-1012

June 1, 2009

Mr. Ron Shackelford, CPA
Chief, Audit Office
Department of Food and Agriculture
1220 N. Street, Room 344
Sacramento, CA. 95814

Dear Ron:

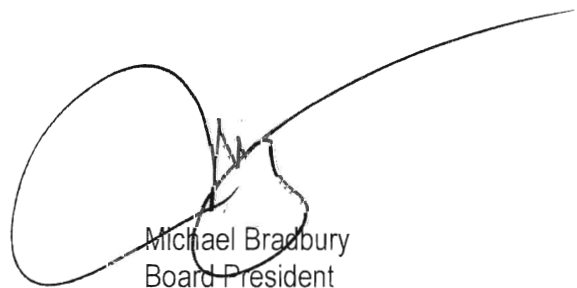
Enclosed you will find the responses to the 2007 Audit of the 31st District Agricultural Association.

If you have any questions or need additional information, please do not hesitate to contact me either by phone (805) 648-3376 X 107 or by e-mail, bboester@venturacountyfair.org.

Sincerely,



Barbara Boester-Quaid
CEO



Michael Bradbury
Board President

BOARD MEMBER TICKET/PASSES

Recommendation

1. *The Fair should document the business purpose for any distribution of ticket/passes to their board members in the future. Without the business purpose documented, these distributions may be deemed a gift of public funds.*

Response

The Fair continues to monitor the tickets/passes which resulted in a reduction of the amount of admission passes the Board of Directors received in 2007 and a further reduction for the 2008 Fair. The Fair eliminated the use of Sand Dollars beginning in 2008. The Fair will submit additional documentation in regards to the recipients and the business purpose of the Box-Seats as well as the purpose of the sweatshirts, pins and posters effective with the 2009 Fair.

PROMOTIONAL AND PUBLIC RELATIONS EXPENSES

Recommendation

2. *The Fair should be aware that purchases of food and beverages, other than business meals reimbursed in accordance with the DPA rules and regulations, will be questioned as to necessity and benefit to the State. The Fair should follow F&E internal policy by requiring that all claims for payment of promotional or public relations expenses must include the specific business topics discussed during the event, and the necessity of or the benefits expected to accrue to the Fair by entertaining.*

Response

In 2008 additional measures were taken and implemented for the Director's Room meals at Fair. The Fair continues its efforts to justify the Board Room meals and will implement further measures for the 2009 Fair to justify these meals in accordance with F&E's internal policy to show the benefits to the Fair.

ACCOUNTING FOR FIXED ASSETS

Recommendation

3. *The Fair should make the necessary correcting journal entries that ensure the amounts reported for its fixed assets are correct. In the future, the Fair should ensure that the amounts capitalized for a project represent the full costs associated with placing the asset into service. The Fair should properly track all costs associated with a project in order to establish the full amount that should be capitalized once the projects is complete. By ensuring that the correct amounts are capitalized for project costs, the Fair should be able to accurately calculate the related depreciation of the project as well.*
4. *The Fair should be certain to capitalize and depreciate assets that have a value of \$5,000 and a useful life of at least one year. All other items should be expensed in the year that they were acquired and be accounted for as non-monetary items. Adjustments should be made to correct any deficiencies prior to the preparation of year-end financial reports.*

Response

Recommendation #3:

The Fair was unaware of the implementation of 190 accounts, Construction in Progress, and continued to expense building improvements through the use of 910 accounts. The 910 accounts have been eliminated and 190 accounts were created in an effort to capture all the expenses associated with capital building improvements and construction.

Recommendation #4:

Due to conflicting information from past auditors, the security system was not capitalized because the costs of the various parts of the system were not over \$5,000. Subsequent auditors have allowed for the capitalization and adjustments were made. Also the formula (current year + 1 – year of acquisition) was not utilized in calculating years in service for assets and resulted in miscalculation of the correct depreciation amounts. This has been corrected and the formula has been inserted in the depreciation schedule worksheet. The practice of waiting till year end to journalize capital assets is being eliminated; asset purchases meeting DOF criteria are being capitalized at the time of acquisition.

31st District Agricultural Association-Ventura County Fair

Response to Management Report #08-030

ADMISSION REVENUE

Recommendation

5. *The Fair should ensure they properly account for all earned revenues in the general ledger at year-end. All amounts earned as revenue that have not been collected, such as admission sales online, should be accrued prior to closing the accounting period and preparing the year-ending financial statements.*

Response

The Fair acknowledges this error and has taken the steps necessary to prevent this from occurring again. All amounts earned as revenue that have not been collected will be accrued prior to closing the accounting period and prior to preparing the year end financial statements.

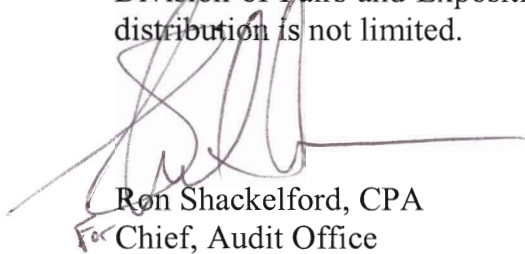
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 31st DAA, Ventura County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between December 1, 2008 and December 12, 2008. My staff met with management on December 12, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'Ron Shackelford', is written over a horizontal line. The signature is stylized and cursive.

Ron Shackelford, CPA
Chief, Audit Office

December 12, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 31st DAA Board of Directors
1	Chief Executive Officer, 31st DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office